

**REPORT OF THE AUDIT OF THE
MENIFEE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2005**



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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MENIFEE COUNTY SHERIFF

**For The Year Ended
December 31, 2005**

The Auditor of Public Accounts has completed the Menifee County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$19,751 from the prior year, resulting in excess fees of \$530 as of December 31, 2005. Revenues increased by \$15,686 from the prior year and expenditures increased by \$35,437.

Debt Obligations:

Lease agreements totaled \$4,955 as of December 31, 2005.

Report Comments:

- The Sheriff Should Expend Fee Account Monies For Allowable Purposes
- The Sheriff Should Collect Monies Due The 2003 Fee Account
- The Sheriff Should Refund The 2002 Fee Account For Tax Commissions That Were Deposited Into The Wrong Year
- The Menifee County Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James Trimble, Menifee County Judge/Executive
Honorable Rodney Coffey, Menifee County Sheriff
Members of the Menifee County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Menifee County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable James Trimble, Menifee County Judge/Executive
Honorable Rodney Coffey, Menifee County Sheriff
Members of the Menifee County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Expend Fee Account Monies For Allowable Purposes
- The Sheriff Should Collect Monies Due The 2003 Fee Account
- The Sheriff Should Refund The 2002 Fee Account For Tax Commissions That Were Deposited Into The Wrong Year
- The Menifee County Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Menifee County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 25, 2006

MENIFEE COUNTY
 RODNEY COFFEY, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants		\$	9,038
State Fees For Services:			
Administrative Office of the Courts			61,548
Circuit Court Clerk:			
Sheriff Security Service	\$	2,422	
Fines and Fees Collected		<u>2,310</u>	4,732
Fiscal Court			125
County Clerk - Delinquent Taxes			2,101
Commission On Taxes Collected			50,317
Fees Collected For Services:			
Auto Inspections		1,460	
Accident and Police Reports		254	
Serving Papers		6,190	
Carrying Concealed Deadly Weapon Permits		<u>1,789</u>	9,693
Other:			
KCPC Transports		753	
House Bill 413		2,607	
Reimbursements		<u>14,609</u>	17,969
Interest Earned			<u>286</u>
Total Revenues			<u>155,809</u>

The accompanying notes are an integral part of this financial statement.

MENIFEE COUNTY
 RODNEY COFFEY, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 60,770

Materials and Supplies-

Office Materials and Supplies 2,112

Other Charges-

Conventions and Travel 4,524

Carrying Concealed Deadly Weapon Permits 1,475

Miscellaneous 400

Capital Outlay-

Office Equipment 2,263

Vehicles 20,232 \$ 91,776

Debt Service:

Copier Lease 1,477

Total Expenditures 93,253

Less: Disallowed Expenditures

Late Fees 87

Finance Charges 33

Inadequate Documentation 134 254

Total Allowable Expenditures 92,999

Net Revenues 62,810

Less: Statutory Maximum 62,280

Excess Fees Due County for 2005 530

Balance Due Fiscal Court at Completion of Audit* \$ 530

* Note: The Sheriff presented a check to the County Treasurer for the balance due Fiscal Court on August 25, 2006.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 4. Lease

The office of the Sheriff was committed to a lease agreement with Xerox Corporation for a copy machine. The agreement requires a monthly payment of \$95.29 for 60 months to be completed on April 1, 2010. The total remaining balance of the agreement was \$4,955 as of December 31, 2005.

Note 5. Forestry Grant Agreement

The Meniffee County Sheriff's office entered into a Cooperative Law Enforcement Agreement with the U.S. Department of Agriculture, Forest Service, and Daniel Boone National Forest on April 1, 2005. The agreement states that the Sheriff's office can obtain reimbursement, up to a set amount, for patrolling activities in the Daniel Boone National Forest in an effort to reduce illegal activity on federal land. During 2005, the Sheriff received reimbursement for \$9,038 of expenditures related to this grant.

Note 6. Forfeiture Account

The Meniffee County Sheriff maintains an account for the purposes of receiving assets forfeited to the Commonwealth as a result of legal proceedings. Expenditures from this fund are to be for law enforcement activities. The beginning balance in the Forfeiture Account was \$639. During 2005, the Sheriff received \$1,871 in forfeited funds and expended \$2,067, leaving an ending balance of \$443 as of December 31, 2005. All funds were expended for allowable purposes.

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COMMENTS AND RECOMMENDATIONS

MENIFEE COUNTY
RODNEY COFFEY, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Spend Fee Account Monies For Allowable Purposes

During our audit of the Sheriff's fee account for 2005, we identified a total of \$254 of disallowable expenditures. Technical Audit Bulletin 93-001, Section 3 enumerates thirteen categories of expenditures that are not allowable. Additionally, KRS 64.850 prohibits fee officials from expending "public funds for any purpose other than that for which they were received."

The following expenditures were not considered allowable:

- \$87 for late fees.
- \$33 of finance charges.
- \$134 for expenditures that did not have proper documentation.

We recommend the Sheriff expend fee account monies in accordance with the provisions of KRS 64.850. We also recommend the Sheriff ensure all payments are made timely to avoid late fees and/or interest and that proper documentation be maintained to support all expenditures. The Sheriff deposited personal funds in the amount of \$254 into the 2005 fee account to reimburse that account for these disallowed expenditures.

Sheriff's Response: Sheriff has paid money in question.

County Judge/Executive J.D. Trimble's Response: None

The Sheriff Should Collect Monies Due The 2003 Fee Account

The Sheriff should collect monies owed to him. Because of an error, penalties on tax collections were distributed to the districts. Some districts refunded the money which was deposited into the fee account. The Sheriff should collect penalties that were distributed in error that have not been collected. This was a repeat finding from the 2004 audit.

Sheriff's Response: Letter was mailed requesting payment of an overpayment to the state and other districts. All has paid but not state.

The Sheriff Should Refund The 2002 Fee Account For Tax Commissions That Were Deposited Into The Wrong Year

The Sheriff deposited tax commissions of \$4,339 that should have been placed in the 2002 Fee Account in the 2003 Fee account. The Sheriff had excess fees of \$2,184 for 2003. With these excess fees and the amount that will be returned by the state, the Sheriff will have enough funds to refund the 2002 Fee account. Excess fees for 2003 were paid to the fiscal court. We recommend the Sheriff return commissions due to be refunded by the state to the 2002 Fee account. This is a repeat finding from the 2004 audit.

Sheriff's Response: Will be paid when the state gives money owed for an over payment, all other districts have paid with the exception to the state district.

MENIFEE COUNTY
RODNEY COFFEY, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2005
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Menifee County Sheriff's Office Lacks Adequate Segregation Of Duties

During our review of internal control, we found that the Sheriff's office has a lack of adequate segregation of duties. Due to the entity's diversity of official operations, small size, and budget restrictions, the Sheriff has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness.

Cash receipts by mail should be received and logged by someone who is independent of handling and/or posting cash receipts to the ledger. At a minimum, only one person should be designated to receive and open mail. The Sheriff could recount and deposit cash and perform surprise cash counts.

The Sheriff should periodically, compare the daily bank deposit to the daily checkout sheet and then compare the daily check out sheet to the receipts ledger. Any differences should be reconciled. The Sheriff should document this review by initialing and dating the bank deposit, daily checkout sheet, and receipts ledger.

The Sheriff should periodically, compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff should document this review by initialing and dating the bank reconciliation and the balance in the checkbook.

The Sheriff should compare the quarterly financial report to the receipts and disbursements ledgers for accuracy. The Sheriff should also compare the salaries listed on the quarterly report to the individual earnings records. Any differences should be reconciled. The Sheriff should document this review by initialing and dating the quarterly financial report.

The Sheriff should require dual signatures on all checks and should periodically compare invoices to payments. The Sheriff should document this review by initialing and dating the invoices.

Sheriff's Response: We will attempt to implement the compensating controls.

PRIOR YEAR:

The Sheriff Has A Lack Of Adequate Segregation Of Duties

Sheriff's Response: None

The Sheriff Should Collect Monies Due The 2003 Fee Account

Sheriff's Response: None

The Sheriff Should Refund The 2002 Fee Account For Tax Commissions That Were Deposited Into The Wrong Year

Sheriff's Response: None

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James Trimble, Menifee County Judge/Executive
Honorable Rodney Coffey, Menifee County Sheriff
Members of the Menifee County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Menifee County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated August 25, 2006. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Menifee County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The Menifee County Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Menifee County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Expend Fee Account Monies For Allowable Purposes
- The Sheriff Should Collect Monies Due The 2003 Fee Account
- The Sheriff Should Refund The 2002 Fee Account For Tax Commissions That Were Deposited Into The Wrong Year

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 25, 2006

